

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4027-02
Bill No.: HB 1724
Subject: Retirement - Schools
Type: Original
Date: March 6, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

***DOES NOT REFLECT REDUCTION IN SURPLUS OF PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS) OF APPROXIMATELY \$48.9 MILLION. PSRS FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of State and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

Officials with the **Public School Retirement System of Missouri** assume the proposal would raise the formula factor for those with over 32 years of service. This provision also limits the formula changes to the period from July 1, 2001 to June 30, 2008. The actuarial cost study for PSRS calculates the cost of this provision to be \$48,872,000 to the system. The unfunded actuarial accrued liability of \$184,781,000 will be amortized over a 19 year period, up from the current 10 year period.

Oversight notes that, as of June 30, 2001, the Public School Retirement System had a actuarial accrued liability of \$18,279,113,250 and an actuarial value of assets of \$19,437,222,776. Which is an actuarial surplus of \$1,158,109,526. The proposal would not require additional contributions from school districts or from employees.

Funds of retirement systems are not considered local funds for fiscal note purposes. There would be long-term fiscal impact as a result of this legislation, since the reduction of the system’s surplus will contribute to any need for increased contributions in the future.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill increases the benefit multiplier for teachers under the Public School Retirement System. The current multiplier for those with 31 or more years of service is 2.55% of the member's final average salary times years of service. The bill increases the multiplier as years of service increase. The multiplier is: 2.55% for those with 31 but less than 32 years of service, 2.6% for those with 32 but less than 33 years of service, 2.65% for those with 33 years but less than 34 years of service, and 2.7% for those with 34 or more years of service. The increase applies regardless of the age of the member.

The bill contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Public School Retirement System of Missouri



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Acting Director
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